



SCOTTISH PUBLIC PENSIONS AGENCY

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Firefighters' Pension Scheme Stakeholders

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Your ref:
Our ref:

13 September 2016

Dear Colleagues

Draft regulations amending the Firemen's Pension Scheme Order 1992

The purpose of this consultation is to seek the views of firefighters pension scheme stakeholders on the draft amendment to the above regulations.

Background

Under the current Firefighters' Pension Scheme 1992 rules, firefighters are eligible to retire with a maximum of 30 years' service from age 50. This provision means that in some cases, a firefighter can reach the 30 year service limit before reaching age 50 and would therefore need to maintain active membership of the scheme until reaching age 50 although any additional pensionable service over the 30 year maximum is not taken into account when calculating scheme benefits.

Employee Contributions Holiday 1992 scheme

Following discussions, the Department of Communities and Local Government (DCLG - formerly the UK department with responsibility for firefighters' pensions) and the Fire Brigades Union (FBU) which was representing members' interests, reached an agreement to address this anomaly which was approved by the High Court. The agreement will ensure that firefighters are not required to pay the excess contributions between reaching the 30 year limit and their 50th birthday.

The terms of the 1992 scheme in Scotland are identical and Scottish Ministers have previously agreed that the settlement reached between the two parties in England should similarly be applied to affected firefighters in Scotland. The agreement means eligible firefighters who have retired having paid more than 30 years' service will receive a refund of contributions paid from 1 December 2006, that date has been determined by the Employment Equality (Age) Regulations. In addition, current 1992

scheme members who have reached or will reach 30 years' service before age 50 will be entitled to a "contributions holiday" and refund of any overpaid contributions. Where an eligible firefighter chooses to continue in service after reaching age 50 following a "contributions holiday" then their contributions to the scheme will again become due until they either retire from the scheme or elect to opt out of the scheme.

Firefighters should be aware that pension contributions attract tax relief and therefore reduce the amount of pay that is taxable. The refunds will reflect the tax relief that was originally provided when the contributions were paid and for those current firefighters who will be eligible for a "contribution holiday" they will no longer receive tax relief on that part of their pay as contributions are no longer being paid.

To reflect these changes, article 2 (2) removes the obligation on firefighters to pay contributions for the period after they have reckoned the maximum 30 years' service until they reach age 50 (the minimum age that an ordinary pension can be claimed from the scheme). This change takes effect from 1 December 2006.

Article 3 makes provision for the repayment of any such contributions that have been paid between 1st December 2006 and the date this Order comes into force. Repayment will be made by lump sum –the "required amount" - and should be equal to the net contributions paid, taking into account the tax the firefighter would have paid had the contributions been payable as income, plus compound interest payable from the date each excess contribution was made. As the refund payment constitutes an unauthorised payment under Finance Act 2004, the retired firefighter will be subject to a tax charge on the payment. The required amount is therefore increased by a set formula, with the increased proportion covering the charge. This formula is provided in Article 3(3).

A lump sum payment will be paid to the personal representatives of any eligible firefighter who has died prior to a refund being made.

This consultation sets out the legislative changes needed to the 1992 scheme that will allow both refunds and "contribution holidays" to be introduced. Identifying and calculating any eligible refunds due will be a complex process and details of how the refunds will be processed will be announced shortly by the SPPA.

Consultation

Comments are invited on the draft regulations.

You may complete the Consultation Response Form attached at Annex A which can be submitted electronically to Claire.McGow@gov.scot or by post to the following address:

Employee contributions holiday (FPS 1992) Consultation
SPPA Policy
7 Tweedside Park
Tweedbank
Galashiels
TD1 3TE

A printable Consultation Response Form is included at Annex A.

The consultation will close on 11 October 2016 and we ask that anyone wishing to respond does so by then.

A copy of the consultation documentation is also available on the SPPA website at: http://www.sppa.gov.uk/index.php?option=com_content&view=article&id=1104&Itemid=260

We intend to publish a summary of consultation responses as soon as possible after the consultation closes. We would like to be able to include any response you make in that summary. However, if you ask us not to publish your response to this consultation, we will regard it as confidential.

Respondents should also be aware that the Scottish Government is subject to the provisions of the Freedom of Information (Scotland) Act 2002 and will have to respond appropriately to any relevant request made to the SPPA under that Act for information concerning this consultation exercise.

Yours faithfully

Claire McGow
Policy Manager

ANNEX A

CONSULTATION RESPONSE FORM - FIREFIGHTERS PENSION SCHEME (SCOTLAND). CONSULTATION ON DRAFT ORDER – The Firemen’s Pension Scheme (Amendment and Transitional Provisions) (Scotland) Order 2016

1. Name/Organisation

Organisation Name

Title

Surname

Forename

2. Postal Address

Postcode

Phone

Email

3. **Permissions** - I am responding as... (please complete either sections (a), (b) and (d) or sections (c) and (d):

Individual

or **Group/Organisation**

(a) Do you agree to your response being made available to the public (in Scottish Government library and/or on the Scottish Government web site)?

Please state yes or no: _____

(b) Where confidentiality is not requested, we will make your responses available to the public on the following basis

Please state yes to one of the following:

Yes, make my response, name and address all available

or

Yes, make my response available, but not my name and address

or

Yes, make my response and name available, but not my address

(c) The name and address of your organisation **will be** made available to the public (in the Scottish Government library and/or on the Scottish Government web site).

Are you content for your **response** to be made available?

Please state yes or no:

(d) We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?

Please state yes or no:

ABOUT YOU

I am responding ...

- as a member of the 1992 scheme
- as a member of the 2006 scheme
- as a member of the modified 2006 scheme
- as a member of the 2015 scheme (CARE scheme)
- on behalf of an Employer Organisation
- on behalf of a Trade Union/Staff Association
- other (please specify)

What is your gender?

- I am female
- I am male

I am employed as...

- a firefighter
- a retained firefighter
- a volunteer firefighter
- a crew manager
- a watch manager
- a station manager
- a group manager
- an area manager
- I'm retired
- other (please specify)

What is your working pattern?

I work part-time

I work full- time

Not applicable

Comments:

Please e-mail your response to: Claire.McGow@gov.scot

Or post your response to:

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The closing date for this consultation is 11 October 2016.